

Message Text

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C O N F I D E N T I A L PEKING 0283

.O. 11652: GDS

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SUBJECT: UP-DATE ON UNIVERSAL OIL PRODUCTS COMPLETE
PLANT PROJECTS IN CHINA

REF: PEKING 2433

1. SUMMARY AND INTRODUCTION. ON THE BASIS OF CONTRACTS CONCLUDED IN 1975, THE UNIVERSAL OIL PRODUCTS COMPANY (UOP) WILL PROVIDE TECHNOLOGY AND ASSIST IN THE CONSTRUCTION OF THREE COMPLETE PLANTS IN CHINA OVER THE NEXT THREE YEARS. NEXT TO M.W. KELLOGG, UOP HAS THUS BECOME THE SECOND MOST SUCCESSFUL U.S. FIRM IN THIS FIELD. TOTAL EARNINGS FROM THESE PROJECTS WILL BE APPROXIMATELY \$20 MILLION AND, BEFORE THEY ARE COMPLETED, UOP WILL HAVE 25 TECHNICIANS WORKING IN CHINA. FOLLOWING A WEEK-LONG VISIT TO TIENTSIN FOR TECHNICAL DISCUSSIONS AND A SITE SURVEY, UOP REPRESENTATIVES PROVIDED THE FOLLOWING INFORMATION ON PLANTS THEIR FIRM WILL HELP BUILD IN TIENTSIN, PEKING AND NANKING. EACH PROJECT REPRESENTS A DIFFERENT APPROACH BY THE CHINESE IN
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CONTRACTING FOR THIS TYPE OF FACILITY. END SUMMARY.

2. TIENTSIN -- IN TIENTSIN UOP WILL PARTICIPATE IN THE CONSTRUCTION OF A 60,000 TON PER YEAR CAPACITY PARAXYLENE PLANT WITH THE JAPAN GASOLINE COMPANY (JGC). THE PLAN WILL USE NAPHTHA AS A RAW MATERIAL AND PROVIDE FEED STOCK FOR A DMT PLANT SOLD BY THE KRUPP OF WEST GERMANY. CONTRACT FOR THIS PLANT WAS CONCLUDED BETWEEN THE JGC AND TECHIMPORT WITH UOP, IN EFFECT A SUB-CONTRACTOR, SINCE IT WILL BE PAID BY THE JAPANESE. UOP WILL PROVIDE TECHNOLOGY, DESIGN ENGINEERING AND TECHNICAL ASSISTANCE AND WILL RECEIVE ABOUT \$7 MILLION FOR ITS SERVICES. JGC WILL RECEIVE ABOUT \$33 MILLION AND THE CHINESE WILL PROVIDE CIVIL ENGINEERING AND SOME PARTS FOR THIS PROJECT WHICH HAS AN ESTIMATED TOTAL VALUE OF \$100 MILLION. THE JGC CONTRACT PROVIDES FOR FIVE YEARS DEFERRED PAYMENT AT SEVEN PERCENT INTEREST.

3. NANKING -- UOP WILL PROVIDE TECHNOLOGY, DESIGN ENGINEERING, TECHNICAL ASSISTANCE AND CRITICAL MATERIALS FOR A DETERGENT ALKYLATION PLANT TO BE BUILT BY ITALY'S EUROTECNIA CORPORATION IN NANKING. TECHIMPORT HAS SIGNED SEPARATE CONTRACTS WITH BOTH COMPANIES AND UOP WILL RECEIVE \$8.2 MILLION. A UOP TEAM COMPLETED A SIGHT SURVEY FOR THIS PROJECT IN EARLY JANUARY 1976.

4. PEKING -- USING YET ANOTHER APPROACH, UOP SIGNED A CONTRACT IN SEPTEMBER 1975 TO PROVIDE TECHNOLOGY, ENGINEERING AND TECHNICAL ASSISTANCE AND SOME EQUIPMENT AND MATERIALS FOR ANOTHER PARAXYLENE (AROMATICS) PLANT WHICH WILL BE BUILT BY THE CHINESE NEAR PEKING. TOTAL VALUE OF THIS CONTRACT IS \$4.1 MILLION. ACCORDING TO UOP THE CHINESE FAILED TO ATTEND AN INITIAL "DESIGN LIAISON MEETING" IN JANUARY IN CHICAGO AND PLANNING FOR THIS PROJECT IS NOW BEHIND SCHEDULE. UNDER THE CONTRACT, UOP MUST SUBMIT ITS FIRST PACKAGE OF TECHNICAL DOCUMENTATION BY MID-FEBRUARY AND WILL PROBABLY DO SO DESPITE THE LACK OF PRIOR CONSULTATION WITH THE CHINESE.

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